BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 4**
(October 28, 2016)

The Postal Service hereby files its response to Question 1 of Chairman's

Information Request (CHIR) No. 4, issued on October 21, 2016. The question is

stated verbatim and followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 28, 2016

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

1. On October 14, 2016, the Postal Service filed Excel file "Workshare Tables
   (Attachment B)" in response to Chairman's Information Request No. 1.2
   Please compare Excel file "Workshare Tables (Attachment B)," tab "FSSExit"
   (R2017-1 Model) with Docket No. ACR2015, Library Reference USPS-FY15-
   11, December 29, 2015, Excel file "USPS-FY15-11 PER_OC," tab
   "SUMMARY" (ACR2015 Model). The R2017-1 Model is updated from the
   ACR2015 Model to reflect the redistribution of FSS pieces to 3-Digit, 5-Digit,
   and Carrier Route price cells. However, all avoided cost figures submitted
   with the Notice "shall be developed from the most recent applicable
   Commission approved analytical principles." 39 C.F.R. § 3010.12(f). Please
   provide Excel file "Workshare Tables (Attachment B)," with tabs "Periodicals
   Outside County," "Per. Bundle-Container Pricing," "Periodicals Within
   County," and "Within County Worksheet" updated to reflect the data in the
   ACR2015 Model.

RESPONSE:

To expedite this proceeding, the Postal Service is providing Excel file

"Workshare Tables (Attachment B) Rev 10-28.xlsx" with its Notice of Revisions to

United States Postal Service Notice of Market-Dominant Price Adjustment,

Attachment A, and Attachment B – Errata, filed today. This Excel file

incorporates the cost avoidance date from the FY 2015 Annual Compliance

Report (ACR for FY2015) into tabs "Periodicals Outside County," "Per. Bundle-

Container Pricing," "Periodicals Within County," and "Within County Worksheet."

However, since the composition of the pieces in the presort categories has

changed relative to the ACR for FY2015, the Postal Service does not believe that

the cost avoidances presented in the ACR for FY2015 appropriately measure the

avoided costs for the rate structure proposed in this Docket. For example, in the

ACR for FY2015, the workshare category "CR Basic" included only presorted

Carrier Route mail destined for non-FSS zones. In the present filing, however,

the presort category "CR Basic" includes presorted Carrier Route mail destined

for FSS and non-FSS zones. Though 39 C.F.R. § 3010.12(f) calls for the use of

"the most recent applicable Commission approved analytical principles," the

Commission must recognize that the strict application of this rule ignores the

changes in relative workshare cost avoidances that result from the proposed

elimination of FSS rate cells and workshare discounts. Accordingly, the Postal

Service encourages the Commission to consider adopting the Docket No.

R2017-1 presentation of modeled costs, which is reflected in tab "FSSExit." This

presentation does nothing more than redistribute the FSS and Non-FSS rates

elements from the ACR for FY2015 to calculate a weighted average of cost

avoidances.

In support of the Docket No. R2017-1 presentation of modeled costs, the

Postal Service is attaching Excel files "Workshare Tables (Attach B) Update.xlsx"

and "USPS-FY15-11 PER_OC FSSExit.xlsx" to this response. Together, these

files demonstrate that the cost avoidance figures in the Excel file "Workshare

Tables (Attachment B) Correction.xlsx" are derived directly from the most recent

applicable Commission approved analytical principles (i.e., the cost avoidances

used in the ACR for FY2015). In particular, the cost avoidance numbers in tab

"FSSExit" are derived from Excel file "USPS-FY15-11 PER_OC," tab

"SUMMARY." Additionally, the Postal Service notes that Excel file "USPS-FY15-

11 PER_OC FSSExit.xlsx" is an exact replica of the Excel file "USPS-FY15-11

PER OC.xlsx" filed in Docket No. ACR2015, with additional calculations that

weight FSS rated elements, and the corresponding non-FSS elements, to

calculate the weighted average cost avoidance.[1]

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[1] Excel files "Workshare Tables (Attachment B) Correction.xlsx" and "USPS-FY15-11 PER_OC FSSExit.xlsx" also correct for an error in the original filing, which erroneously applied the FSS/non-FSS weighting to nonmachinable pieces.